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SUBJECT: IRAQI BUSINESS EXPATRIATES-WATCHING AND WAITING IN JORDAN

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11. (SBU) SUMMARY: Iraqi business expatriates in Amman assess opportunities in Iraq to be uncertain at present. They focus on 1) getting Iraqi businesses involved in doing reconstruction, 2) improved security and stability to permit investment, and 3) opening of competitive opportunities via privatization and/or elimination of State Owned Enterprises (SOEs). The recent referendum approving the Constitution was assessed favorably for stimulating possible provincial competition in tax and investment environments. Economic diversification, especially in agriculture and tourism was flagged as necessary to secure more balanced economic development. Other necessary incentives to secure a return of expatriate business interests include improved education and stable, market-oriented, legislation. END SUMMARY

12. (SBU) Three Iraqi business contact roundtables were hosted in Amman on November 30 for visiting Baghdad Econoff by Embassy Amman Econ section. Iraqi attendees included members of the banking, insurance, and financial communities, women entrepreneurs, construction representatives and real estate operators. The goals of the meetings were to determine concerns of the Iraqi expatriate business community, their views on appropriate actions to enhance economic growth in Iraq, and what barriers needed to be removed to entice expatriate Iraqi investment back to Iraq.

Key Concerns

13. (SBU) For their part, the Iraqi business expats focused on getting the Iraqi businesses involved in USG reconstruction work, as opposed to third country firms using expatriate labor, improving the security and stability of communities so investment could safely occur and people could work without fear of kidnapping, injury, or death, a pressing need for administrative and legislative stability, and privatization and/or elimination of State Owned Enterprises to permit competition.

14. (SBU) High unemployment was seen as related to the support of the insurgency - offering a pool of young men for recruitment. The business people felt that increased permanent employment, and not short-term hiring, would alleviate much of the desperation and unrest in Iraq. They also emphasized that there was great anger over the hiring of non-Iraqis for Iraqi projects, while they alleged that Iraqi firms could operate much more efficiently and cheaply. The participants also claimed that money earned by the non-Iraqi expatriates did not go back into the Iraqi economy to employ other Iraqis, but was instead for other activities abroad. A telling comment, "Don't waste dollars on security, hire Iraqis," was repeated in the discussions.

New Opportunities in Decentralization

15. (SBU) Decentralization of the government and the enhanced role provided to the provinces and regions under the new Constitution were seen as encouragements to investments. Participants suggested that local approvals for business ventures also were much easier to obtain than is normally the case in dealing with approving authorities at national ministries. Some additionally suggested that fewer levels of corruption would be encountered.

16. (SBU) Local taxation policies were also discussed, with our Iraqi contacts saying that the provinces would be in competition for investments with each other in the future. The provinces that were smartest would offer favorable incentives for investors, and other areas of the country would soon realize the advantages of enticing investors to their regions. The payoff to the local communities and regions for good investment climates would be seen in terms of new jobs and expanded employment for the local populace.

Economic Transition still Required

17. (SBU) Diversification of the Iraqi economy was considered a requirement for a growing economy. Participants emphasized the roles of agriculture and tourism

as being key to balance over-reliance on oil production. They also suggested the religious tourism cities of Najaf and Karbala should be starting points for encouragement of the tourist industry, while also flagging tourist interest in ancient sites such as Ur. The agriculture sector was suggested to have the potential to become the largest employer in Iraq. Participants strongly advocated USG support to the sector, to include micro lending, training in marketing, assistance for purchase of U.S.-origin equipment and opening of markets for Iraqi products in the U.S., EU and Middle East.

18. (SBU) State Owned Enterprises were denigrated by the roundtable attendees as inefficient and as a major source of corruption. They recommended privatization of viable firms via auction and closure of the remainder. Concern for the future unemployed workers was discussed, as was the need for the private sector to expand to provide jobs for those who would become unemployed as the state owned firms were downsized and streamlined. The primary concern and emphasis, however, was to remove the government from business and get rid of corruption--"get the government out of business".

19. (SBU) Import and export specialists complained of multiple sets of regulations put in place via bilateral trade agreements and favored more general rules to ease international commerce.

Importance of Ordinary Issues - Safety and Good Schools

10. (SBU) Many of the participants said they were incubating ideas and projects for future investment in Iraq; however, the lack of security was slowing down their implementation. One woman, who is the general manager of a construction company, said she had been kidnapped and her family was required to pay a \$500,000 ransom for her return. She said this lack of security made her move to Amman and put many of her construction projects on hold. Another participant (a banker) said he was holding up a decision to invest \$34 million in the banking sector in Kurdistan. The banker said he would weigh his potential investment in Iraq against alternatives elsewhere, balancing expected returns and risks.

11. (SBU) Iraqi investments in education were advocated by several participants. Those with children or grandchildren of school age were concerned with the education their children could obtain in Iraq. One woman with two small children said she would not move back to Iraq because her children could not get a good basic education. Another gentleman suggested asking the Jesuits to return to Baghdad College. He stated that it had been known as the best educational institution in the country. He said that the nation of Iraq needed better college opportunities to entice the better educated Iraqi expatriates to return to Iraq. All participants, including a recent Iraqi college graduate, said there needed to be additional emphasis on support for youth and opportunities for them in Iraq. There were no organized sports for the young adults and teenagers to play, and no place safe for them to socialize. And despite the private business activities of our interlocutors, many maintained that the government needed to provide jobs for new college graduates, so that they would stay in Iraq.

12. (SBU) There was also concern about the lack of expertise in the Iraqi government regarding business. Ministerial personnel and those running for office in this week's national election were seen as having little or no experience with free markets. This failing was seen as possibly hindering the introduction of market-opening measures in Iraq.

Comment

13. (SBU) Our Iraqi attendees were delighted to share their views and provide input on what they wanted in the economic future of Iraq. Most, but not all, desire to return to Iraq to live, but will not do so until the security situation improves. Those with dual passports intend to maintain dual citizenship as a hedge against continued poor security and instability. All participants were carefully monitoring the ongoing election campaign in Iraq, and had specific parties and candidates they were backing. Finally, they emphasized, "Iraqis were willing to follow the West. Please don't lose patience."